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ECONOMY

China fourth-quarter growth slows to 4.5%, weakest in nearly three years as consumption misses forecasts

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KEY POINTS

China's GDP grew 4.5% in the October to December period, slowing from 4.8% in the third quarter.

Full-year economic output came in at 5%, meeting the official target of around 5%.

Retail sales grew 0.9% in December from a year earlier, the slowest growth since late 2022.

Industrial output climbed 5.2% in December, topping expectations for a 5% growth.

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Pedestrians in the Huaqiangbei electronics market area in Shenzhen, China, on Wednesday, Jan. 14, 2026.

Qilai Shen | Bloomberg | Getty Images

China's economic growth slowed to its weakest pace in nearly three years in the fourth quarter as domestic demand softened, though full-year growth matched Beijing's target despite growing trade frictions with the U.S. and a prolonged real estate slump.

Gross domestic product grew 4.5% in the October-to-December period, data from the National Statistics Bureau showed Monday. That marked a slowdown from 4.8% in the third quarter and was the weakest reading since the first quarter of 2023, when growth also came in at 4.5%.

Full-year economic output came in at 5%, meeting the official target of around 5%.

pace in nearly three years

Source: National Bureau of Statistics, LSEG data

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Separate December data showed domestic consumption weakened and the investment decline steepened, while manufacturing improved.

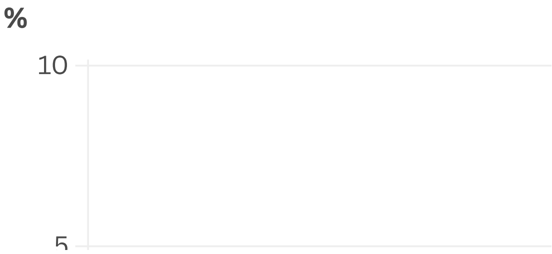
Retail sales grew 0.9% in December from a year earlier, missing economists' forecast for 1.2% growth and slowing from 1.3% in the prior month. That marked the softest growth since December 2022, according to Wind Information, when the gauge of consumption declined 1.8% year on year.

Industrial output climbed 5.2% in December, topping expectations for a 5% growth and up from 4.8% in the previous month.

Fixed-asset investment, which includes real estate, contracted 3.8% last year, worse than economists' forecast for a 3% drop in a Reuters poll. Investment in property development continued to decline as a real estate crisis dragged on, [falling 17.2%](https://www.cnbc.com) in 2025, deepening from

pandemic in December

Industrial production improved, investment decline steepened



Source: National Bureau of Statistics

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The urban unemployment rate remained unchanged at 5.1% in December.

The mainland Chinese CSI 300 rose 0.6% following the data release before paring back gains, while Hong Kong's Hang Seng Index dipped 0.8%. The offshore yuan rose slightly to 6.9604 against the U.S. dollar, its strongest level since May 2023, according to LSEG data.

"We must adopt more proactive and effective macro policies (and) continue to expand domestic demand," the statistics bureau said in an official English language release.

Supply-demand imbalance

The world's second-largest economy showed resilience in 2025, largely helped by lower-than-expected tariff rates and exporters' push to diversify away from the U.S., allowing policymakers to delay launching large-scale stimulus.

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to non-U.S. markets as manufacturers redirected shipments to avoid higher U.S. tariffs.

The anticipated drag from front-loaded shipments, tighter transshipment controls and currency appreciation has been limited, said Tommy Xie, managing director of OCBC Bank. Xie expects China's exports to grow around 3% in 2026.

China's net exports accounted for nearly one-third of its GDP in 2025, while consumption contributed 52% to the economic output, statistics bureau director Kang Yi told reporters Monday.

Exports continued to face headwinds. U.S. President Donald Trump has threatened a 25% tariff on countries doing business with Iran, including China, and the trade truce with Washington is set to expire later this year. China's staggering trade imbalance has also drawn criticism from trading partners seeking to shield domestic industries from an influx of cheap Chinese goods.

Economists have called for economic reforms to shift the growth model toward domestic consumption and reduce reliance on exports and investment, warning that the current growth model poses long-term risks.

"Plunging investment and weak household consumption have made the Chinese economy increasingly reliant on exports to power growth, a situation that is untenable for China as well as the world economy," said Eswar Prasad, a professor of trade policy and economics at Cornell University.

Beijing has sought to rein in excess industrial capacity and curb aggressive price wars. Consumer inflation accelerated to 0.8% in December, the fastest pace in nearly three years, while producer prices dropped 1.9%.

Still, China's GDP deflator, the broadest measure of prices across goods and services, has remained negative since 2023 and is expected to fall by 0.5% in 2026 in the longest streak on record, according to Larry Hu, chief China economist at Macquarie.

The economy continues to struggle with weak domestic spending amid a prolonged property slump and persistent deflationary strains. New bank loans shrank to a seven-year low of 16.27 trillion yuan ($2.33 trillion) in 2025, underscoring sluggish borrowing demand and piling pressure on the government to provide more stimulus.

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a 25-basis-point cut in rates on various lending tools and increasing quotas for lending programs targeting key sectors such as agriculture, technology and private enterprises.

Economists at Goldman Sachs expect the central bank to cut the reserve requirement ratio by 50 basis points and the policy rate by 10 basis points in the first quarter.

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China needs policies that boost demand and confidence: Goldman

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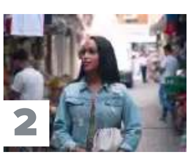

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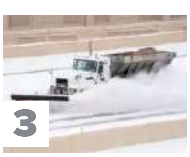

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